

Summary of the Honeywell Corporate Contract Strategic Alliance

Developing Catalog Contracts

The catalog strategy focuses on reducing DoD transaction costs and accelerating end user delivery time. These improvements will be achieved by setting up centralized, electronic purchasing methods that allow end users to order products on an as-needed basis, and receive shipments directly from the supplier.

The catalog strategy hinges on the stability of demand and predictability of order sizes that allow the supplier to assume the risk of holding inventory to meet demand while still offering the product at an acceptable price. Identification of demand patterns for catalog items will provide the supplier greater opportunity to leverage production costs and risk across multiple catalog customers.

The POC for Developing Catalog Contracts is Mr. John Kazlo, DSCR, (804) 279-3403.

Developing Replenishment Contracts

The replenishment strategy focuses on reducing DoD transaction costs and accelerating end user delivery time by leveraging forecastable demand and order sizes large enough to create opportunities for quantity discounts.

Today's replenishment process relies on the traditional contracting approach where each independent contract is issued as demand is identified. The supplier is given little insight into demand beyond the individual solicitation.

Moving a product into replenishment requires a tailored approach to contracting with specific roles performed by DoD and the supplier. The goal is to reach agreement on the products that, if provided on a replenishment basis, will reduce DoD-managed inventories, produce faster delivery to end users, lower transaction costs for DoD and the supplier, and produce more favorable pricing for DoD for the total value received.

The POC for Developing Replenishment Contracts is Mr. Henry Kleinknecht, DoDIG, 703-604-9324.

Developing Build-to-Order Contracts

The build-to-order strategy will streamline the contracting process, improve the response time, and ensure the quality of "out of production" items. The build-to-order strategy hinges on the ability to prioritize out of production items based on likelihood of new demand and determine if rapid production can meet the delivery requirements at a reasonable cost.

There are three types of build-to-order demand scenarios:

- New products
- Non-mission critical legacy products

- Mission critical legacy products

In all three scenarios, there is significant benefit to streamlining the contracting process to move from “administration” to “production” as quickly as possible.

The biggest opportunity for improving return for DoD and the supplier is in the mission critical legacy product area. The optimum is to isolate those out-of-production mission critical products where “rapid” production could meet customer delivery requirements and therefore eliminate or, at least, greatly reduce the need for DoD to maintain “just-in-case” inventories. Further opportunities exist for routine items where normal build-to-order lead-time will suffice.

In all cases the build-to-order strategy is based on having a contractual vehicle in place to reduce administration lead time and procurement cost. This strategy also requires DoD to develop incentives for the supplier to create “readiness” plans and make pre-production investments ahead of the actual order for mission critical legacy items.

The POC for Developing Build-to-Order Contracts is Mr. Steve Rodocker, DSCC, (614) 692-1133.

Developing Rapid Response Contracts

The rapid response strategy focuses on improving DoD readiness in emergency/unplanned purchasing situations while managing acquisition and transaction costs to a reasonable level. The rapid response strategy hinges on isolating those items that have unpredictable demand spikes and then determining whether the response time requirements warrant the building of just-in-case inventory versus build-to-order.

The rapid response strategy hinges on pre-established methods, which minimize the administrative lead-time and optimize the response to the end user while still offering the product at an acceptable price. Rapid response products are most efficiently delivered through “safety” inventories that are always on hand and are sufficiently large enough to meet the spikes in demand. The optimization strategy is to limit the number of products in the category to the critical function that require investment in just-in-case inventory. In addition, it reduces inventory costs by identifying all stocks of the product--within and outside of DoD--and by negotiating crisis response agreements to secure the needed inventory when demand spikes occur.

The POC for Developing Rapid Response Contracts is Mr. Steve Rodocker, DSCC, (614) 692-1133.

Air Force Corporate Contract.

The Air Force Honeywell corporate contract focuses on consolidating replenishment spares and repairs on a single corporate contract. The primary goal of the contract is to establish a long-term business relationship which encourages Honeywell to share in the risk. Due to the length of the contract, 8 year basic with an award term opportunity to extend to 15 years, many performance and cost reduction goals will be recognized as the contract progresses.

The Honeywell Corporate Contract is the Air Force Joint Repair Contract candidate. The Joint Repair IPT is sponsored by OSD, and focuses on improving customer support and responsiveness on depot maintenance of secondary items, developing a joint services contracting vehicle, and agreeing to a plan of action that results in a corporate contract. A Rapid Improvement Team (RIT) was chartered by OSD to assist in identifying a mutually acceptable approach between AFMC, Army, Navy, DLA, IG and Honeywell. As a result of the RIT, the Army and Navy are providing a few “test” items for the contract. DLA and the Air Force have agreed to pursue their separate contracts but will work together to assure that their approaches are not counter-productive to one another.

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